

DATE 12/4/86 *FILE*DOC NO EURM 86-20145OIR 3P&PD 1

21 November 1986

MEMORANDUM FOR: Roger Schrader
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Department of State, EUR/PA

FROM:

Eastern Regional Economic Issues Branch
East European Division,
Office of European Analysis

SUBJECT: Wages and Working Conditions in Eastern Europe

1. This memorandum responds to your request for information on metal workers in Eastern Europe for the upcoming meeting of the International Labour Organization (ILO). Unfortunately, little is readily available on the role of metal workers and their labor organizations in Eastern Europe. At best we can offer a few general comments which we hope will prove useful.

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2. The six Soviet-dominated states of Eastern Europe are ILO members and have responded to ILO surveys on labor wages, safety, employment, and hours with varying degrees of comprehensiveness and accuracy. The procedures used by East European regimes to collect and aggregate labor statistics submitted to the ILO are generally unclear, so we cannot estimate their reliability or consistency. Romania, Bulgaria, East Germany, and Czechoslovakia have not even completely responded to ILO surveys. Moreover, it is possible that for political reasons other countries have falsified or modified statistics released to an international organization such as the ILO.

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3. Unemployment statistics are the most obvious example of this lack of candor. For ideological reasons, it is unacceptable to report unemployment in a Marxist economy, but we know there

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must be considerable frictional (transitional) unemployment in Eastern Europe, as in most industrial economies. In addition, we have seen examples of structural unemployment as these countries begin to restructure their economies from heavy industries to high technologies and services. For example, about 700 Hungarian miners went on strike this August over the regime's plans to close some exhausted coal pits. Also, we know that underemployment, which is frequently a form of disguised unemployment, is common in many industries. Finally, political dissidents are often denied jobs or are given menial work beneath their skills. However, most regimes continue to deny the existence of unemployment. []

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4. International wage comparisons are also tricky because the currencies of various countries must be converted into a common unit. Dollars are often used for comparison, but the question immediately arises of how to convert local currencies into dollars.* Making such estimates is conceptually difficult, but we offer the following crude estimates of monthly wages in East European steel industries for 1984. []

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Estimated Average Monthly Worker Wages
in Iron and Steel, 1984 (in US\$)

Bulgaria	\$510-760
Czechoslovakia	\$540-740
East Germany	\$670-990
Hungary	\$510-730
Poland	\$450-500
Romania	\$410-560

5. These numbers are not strictly comparable to US wages because of fundamental differences between market economies and centrally planned economies. On the one hand, there are factors suggesting the East European figures should be adjusted upwards to be comparable. For example, steel workers in Eastern Europe allegedly receive cradle-to-grave social security, not only through employment guarantees, but also through a wide range of heavily subsidized services for education, housing, health care,

Using official exchange rates is inappropriate because these rates are set arbitrarily by the regime, and the presence of a black market for hard currency illustrates that these exchange rates have little or no economic meaning. A better method for converting domestic currencies into dollars is to use purchasing parity ratios, which roughly estimate how much it will cost in each country's currency to buy the same basket of goods. []

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transportation, and food products such as meat. []

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6. On the other hand, there are several considerations that suggest the East European figures are too high. Although many of the services and goods are subsidized, they are not supplied in adequate quantities to satisfy worker demand. Hence, the worker will either find that he must do without some products or pay a higher price to purchase the goods through private--sometimes illegal--markets. These shortages reduce workers' real purchasing power by requiring him to devote some of his income to bribes to obtain access to higher education, a vacant apartment, or better-trained doctors, hospital care, and medication. []

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7. Trade unions in Eastern Europe differ considerably in their political role from those in the West. According to official Marxist-Leninist ideology, the ruling communist parties act as guardians of the working classes and, since industries are state-owned, the means of production implicitly belong to the workers who cannot exploit themselves. Therefore, these regimes do not acknowledge any need for independent trade unions with the legal right to negotiate with factory managers over wages, working conditions, hours, or to strike if management proves intractable. The workers' associations that do exist in Eastern Europe are intended by the regime to increase production and achieve state-set goals. To the extent unions in Eastern Europe represent the worker, it is only for specific grievances brought by individual employees. []

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8. As a result, workers' associations in Eastern Europe are analogous to company unions under capitalism because they are deprived of the right to strike, stage mass protests, or criticize the communist system. When genuine independent workers' unions arise, participants are harassed by the police and their leaders are threatened or jailed. Solidarity in Poland is an example of this: the government still has not given any public sign that it will legalize the banned union. While refusing to grant legal rights to independent unions, some of these regimes, especially in Poland and Hungary, have granted greater freedom to official unions to select leaders and articulate discontent, but this is mostly as a tactical ploy to restore the regime's credibility in the eyes of labor. []

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9. Working and safety conditions in heavy industries in Eastern Europe are generally much more hazardous than in the U.S. or Western Europe. Factories are under intense pressure from the state to expand output; consequently investment is devoted almost totally to "productive" assets, as opposed to investments in

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[redacted]

"non-productive" assets such as safety equipment and clothing, sanitation facilities, ventilation equipment, and environmental protection. Occasionally industrial accidents are reported such as one in Bulgaria on 1 November 1986, when seventeen workers were killed and nineteen others hospitalized after an explosion at a chemical plant. Many more accidents go unreported in the state-controlled press. [redacted]

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10. In summary, the role of workers in Eastern Europe has been circumscribed by Marxist-Leninist ideology, the political needs of the ruling communist party, and Soviet hostility towards grass-roots movements outside the control of the Party. Unions operate at the sufferance of the ruling party, which retains the legal and political power to restrict or abolish them. Advocacy of Western-style labor movements that use democratic methods of choosing their own leadership and employ adversarial collective bargaining to pursue their goals is illegal, and organizers of such unions are subject to criminal penalties. Workers are also burdened by the stagnation and inefficiency of the Soviet-imposed centrally-planned economies, which cannot provide workers with living standards comparable to those in the West. [redacted]

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